



3510 Capital City Blvd. Lansing, Michigan, 48906

TESTIMONY FOR THE HOUSE COMMITTEE ON LABOR REGARDING EMPLOYER NOTIFICATION OF  
THE EARNED INCOME TAX CREDIT (EITC) (HB 5296)

Ann Gillmore, Program Development Coordinator, Peckham Inc.

December 9, 2009

Good afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to share with you testimony about the benefits of the State of Michigan Earned Income Tax Credit (EITC) and to voice our support for House Bill 5296, which would require employers to provide information on the State EITC to their employees.

My name is Ann Gillmore and I am the Program Development Coordinator at Peckham, Inc. Peckham, a community rehabilitation organization, is a unique business and human services agency, which values quality, diversity and performance. Our mission is to provide a wide range of opportunities to maximize human potential for persons striving for independence and self-sufficiency. We embrace collaboration, effective resource management and innovative approaches to achieve world-class excellence.

Peckham is a private nonprofit agency that provides a wide range of opportunities for persons with barriers to employment. As an affirmative business, Peckham generates 96 percent of its revenues through entrepreneurial efforts in manufacturing, environmental services, supply chain solutions and business services. Peckham provides paid, short and long-term training programs for youth and adults, as well as career planning, job placement, job retention, housing and life skills programs including leisure and recreation services. Peckham is currently one of the largest employers in the greater Lansing area with over 2,200 employees. Last year we provided nearly \$32 million in wages to our employees.

We are committed to excellence in the quality of our business processes, products and services. Using individual and team efforts, we measure and continually improve the effectiveness of our quality system to exceed customer expectations.

Peckham has been providing information about the EITC for many years. The EITC is designed to decrease poverty by encouraging work and is often considered one of the most effective programs to help low-wage working families remain economically viable. According to the Council on Budget and Policy Priorities, State EITCs reduce poverty, increase workforce participation among low-income families, and make state tax systems fairer<sup>1</sup>.

We at Peckham have seen the effects of the EITC on low-wage working families through our tax preparation assistance clinics. Peckham provides free tax preparation assistance to our employees through Turbo Tax workshops held from February to April. Many of our employees qualify for the EITC during their first year of work. They typically use the tax return generated by the EITC to make a major purchase such as a car, furniture or a down payment on an

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Testimony For The House Committee On Labor Regarding Employer Notification Of The Earned Income Tax Credit (EITC) (HB 5296)

apartment or house – items that allow a family to become more self-sufficient and secure but are difficult to afford on a training wage. The EITC provides valuable added support to workers who are developing employment skills and working towards independence and self-sufficiency.

Michigan has long been known as one of the worst states for taxing the working poor. Before the State enacted its own EITC, Michigan was one of only 10 states that taxed families well below the poverty line. With the addition of the state EITC, we have pushed our income tax threshold slightly above the poverty line.

While the EITC is an individual tax credit, its impact can be felt throughout the community. A recent study by the Anderson Economic Group demonstrated that every \$1.00 in EITC generates \$1.67 in new economic activity in Michigan every year<sup>ii</sup>. The EITC also enables families to save a portion of their tax return to help them weather difficult times and financial hardships through self-sufficiency.

In previous years, the Michigan Department of Human Services would have provided competitive grants to organizations that provide outreach for the EITC. Due to recent budget shortfalls, the Governor has vetoed this funding, eliminating a vital way in which low-income working families learned about this beneficial tax credit.

House Bill 5296 would require employers to provide employees with information concerning eligibility for the federal earned income tax credit. The bill requires that employers provide information to each individual employee by January 31 and post information in areas where notices to employees are normally posted. This minimal investment of time and resources on the part of employers would, we believe, have an enormous and beneficial impact on employees eligible for the EITC.

As an employer of over 2,200 employees, Peckham believes that this bill does not impose any undue burden on employers and the benefits of the bill far outweigh any potential downsides. The Anderson Economic Group's study reported that the EITC created \$2.2 billion in new economic activity in Michigan in 2006, and that increasing participation by 1% would generate an additional \$3.3 million in economic activity. The study also estimated that approximately \$221 million in EITC returns went unclaimed by Michigan residents in 2006. Outreach by employers as proposed in House Bill 5296 would go a long way towards decreasing the amount of tax returns Michigan residents are leaving on the table, support working families and individuals, and increase the economic activity in a state in economic distress.

Thank you Mr. Chairman and members of the committee.

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<sup>i</sup> "State Earned Income Tax Credits: 2008 Legislative Update." Center on Budget and Policy Priorities, <http://www.cbpp.org/cms/index.cfm?fa=view&id=462>. Downloaded 12/9/09.

<sup>ii</sup> "Economic Benefits of the Earned Income Tax Credit in Michigan." Sallee, Caroline M. August 13, 2009.

# Southeast Michigan Regional Asset Building Coalition

Improving the financial stability of families



United Way  
for Southeastern Michigan

## Did You Know?

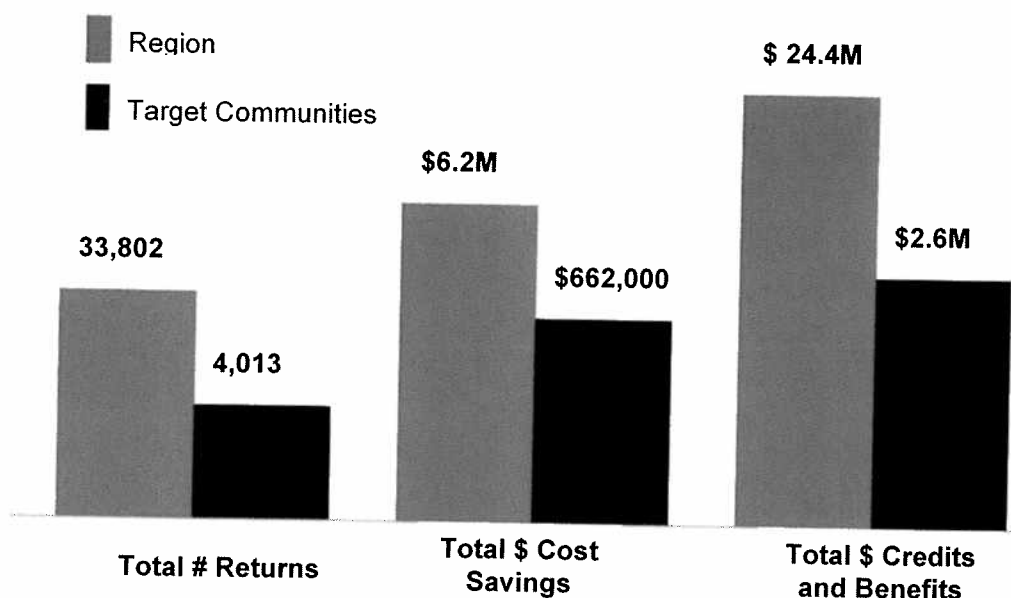
- The Earned Income Tax Credit (EITC) is widely considered the most effective program for helping families work their way out of poverty.
- In 2006, the average Federal EITC refund was \$1,918.
- Approximately 20-25% of those eligible do not claim the EITC. In Michigan, it was estimated that \$221 Million was left unclaimed in 2006.
- For every dollar of the EITC benefit received in 2006, \$1.67 was generated back into the economy

## Our Role

The Southeast Michigan Regional Asset Building Coalition helps individuals and families build income so that they can work toward financial stability. Our main strategy is to provide free tax preparation through IRS-certified tax sites. Free tax preparation is considered one of the key activities to assisting low-income taxpayers build income by claiming tax credits like the Earned Income Tax Credit. In addition, free tax preparation also saves a client nearly \$200 in costly fees.

## Our Results: 2009 Tax Season

An investment of \$115,000 yielded \$2.6 million in tax credits in 8 selected communities. In total, the RABC completed over 33,000 tax returns. To accomplish this, we recruited nearly 1,330 volunteers. Approximately 200 of those volunteers were placed at VITA locations in the selected 8 communities.



The RABC is supported by Bank of America Foundation, Flagstar Bank, United Way for Southeastern Michigan, and the Wal-Mart Foundation.

## RABC Partners

### AARP

Total Returns: 15,300  
\$13.1 million returned  
495 volunteers

### Accounting Aid Society

Total Returns: 12,000  
\$10.3 million returned  
670 volunteers

### GreenPath

### Internal Revenue Service

### Macomb County Asset Building Coalition

Total Returns: 1,200  
\$230,400 returned  
2 volunteers

### Macomb County Community Service Action Agency

### Oakland Livingston Tax Preparation Coalition

United Way for Southeastern Michigan  
116 volunteers

### Wayne County Asset Building Coalition

Total Returns: 2,206  
\$1.7 million returned  
40 volunteers

### Wayne Metro Community Service Action Agency

## Target Communities

Detroit (3 neighborhoods)

Ecorse

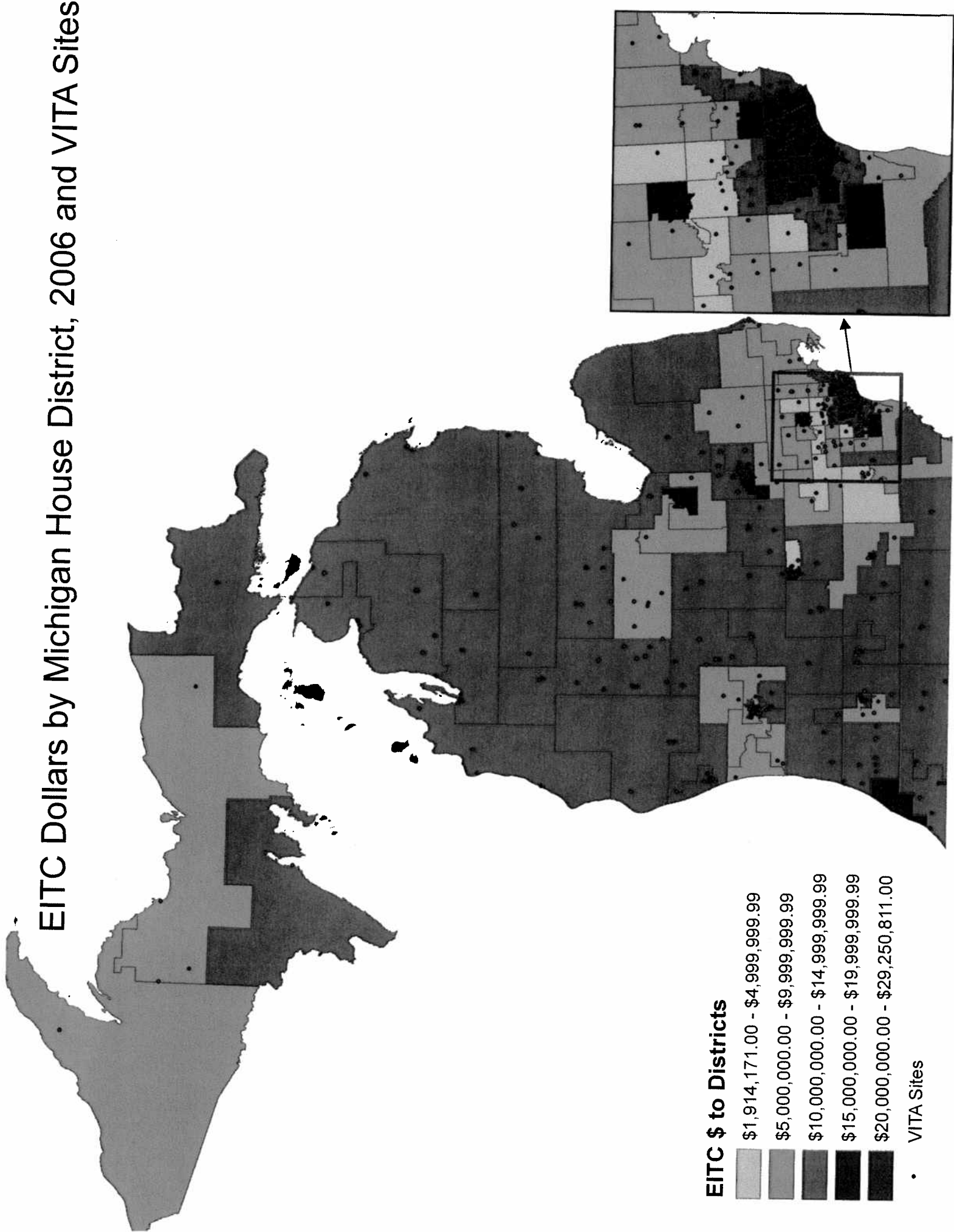
Inkster

Pontiac

Roseville

Taylor

# EITC Dollars by Michigan House District, 2006 and VITA Sites

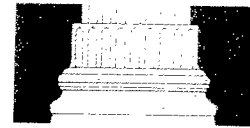


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## ASSET BUILDING POLICY PROJECT

### TESTIMONY FOR THE HOUSE COMMITTEE ON LABOR REGARDING HOUSE BILL 5296, THE EARNED INCOME TAX CREDIT NOTIFICATION ACT

Ross H. Yednock, Director, Asset Building Policy Project

Community Economic Development Association of Michigan (CEDAM)

December 9, 2009

Good morning Mr. Chairman and members of the committee. Thank you for the opportunity to speak with you today about the importance of the Earned Income Tax Credit (EITC) and testify in support for House Bill 5296, the Earned Income Tax Credit Notification Act.

My name is Ross H. Yednock and I am the director for the Asset Building Policy Project (ABPP) at the Community Economic Development Association of Michigan (CEDAM). CEDAM is a nonprofit organization representing over 370 organizations and individuals committed to rebuilding our neighborhoods and revitalizing communities throughout Michigan. It is a voluntary association of primarily community development corporations, community action agencies, and other nonprofits that provide affordable and supportive housing to our neediest citizens, encourage downtown and commercial corridor revitalization, provide workforce and entrepreneurship training, and help families develop and maintain assets to better their lives. CEDAM members provide these services in every county in Michigan—in both urban and rural areas.

The ABPP at CEDAM strategically coordinates all policy, communication and advocacy efforts of the Michigan Asset Building Coalition (ABC), a diverse bipartisan alliance of nonprofit, for-profit and governmental organizations, institutions and individuals actively engaged in supporting effective strategies to reduce asset poverty and help working families achieve lasting and sustainable financial security.

Last month, members of CEDAM and the ABC visited your offices to discuss the importance the EITC has for both Michigan's working families and the communities they call home. In addition to asking legislators to support HB 5296, ABC members, many of whom provide critical tax preparation services to low- and moderate-income families through Volunteer Income Tax Assistance (VITA) programs, also distributed a copy of the Anderson Economic Group report, *Economic Benefits of the Earned Income Tax Credit in Michigan*. The report, commissioned by CEDAM and the Michigan Association of United Ways, found that for every \$1.00 received in Michigan from the federal EITC, \$1.67 is generated in new economic activity for Michigan's local economies. For the 2006 tax year, Michigan residents received \$1.3 billion for the Federal EITC which, in turn, generated \$2.2 billion in new economic activity for the state.

The federal EITC is a refundable tax credit for low-income workers. For qualifying individuals, the amount of EITC increases as the worker earns more income until it begins to phase out. For the 2009 tax year, the maximum amount of the federal EITC is \$5,657 for a filer with three or more qualifying children. The income limit for the 2009 year is \$43,279 (48,279, married filing jointly) for a filer with three or more qualifying children.

Over the years the EITC has enjoyed support from policymakers on both sides of the aisle, seeing it as more than just an anti-poverty program, but as a critical work support and asset building tool that incentivizes work, encourages low-income workers to seek better employment, and helps families save and achieve financial self-sufficiency. All one needs to do to see the positive impact the federal EITC has for Michigan working families is to look at the 2006 tax year, during which Michigan taxpayers who claimed the federal EITC experienced between a 13%-19% increase in their annual household income as a direct result of the credit.

Unfortunately, not every Michigan taxpayer who is eligible claims the EITC. Annually, it is estimated that as many as 20 percent of eligible taxpayers fail to claim the EITC. While there is no way to determine exactly how much money from the federal EITC is left on the table each tax year, estimates range from \$90 million on the low end to upwards of \$220 million on the high end. As a result, every year thousands of Michigan families forego tens of millions of dollars in federal tax relief resulting in hundreds of millions of dollars in economic activity.

For the upcoming fiscal year, these numbers may very well grow. While the State of Michigan has over the past several fiscal years appropriated funding to support VITA sites and promote the EITC to working families, for the current fiscal year, nearly all state support for EITC outreach and free tax preparation services for low- to moderate income individuals has been eliminated. Additionally, as the number of un- and under-employed Michigan workers remains high, many Michigan families who have experienced a decline in income may not realize they are now eligible for this work support and fail to claim it.

The EITC Notification Act is designed to help increase the take-up in Michigan of the federal EITC by ensuring that Michigan workers receive information explaining the EITC and how to claim it. It is modeled after legislation from Pennsylvania and Texas that was enacted last year and it would have a positive impact for both Michigan workers and the overall economy of the state. Specifically, for each percent increase in take-up of the federal EITC by Michigan taxpayers, the state will see \$3.3 million in new economic activity.

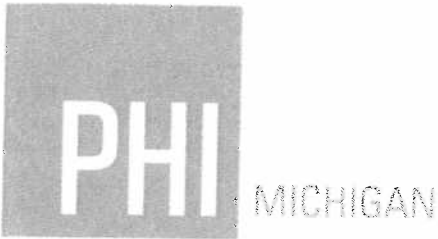
Every day in Michigan, especially in today's economy, we see families struggling to make ends meet. To help support these working families, we must support policies that stimulate our economy, encourage work, and help families achieve self-sufficiency through lasting and sustainable financial security. That is what HB 5296 would do and, if I might add, with minimal cost to the state and employers. I ask that you help Michigan's working families keep more of their hard-earned dollars in their pockets by connecting them with the benefits of the EITC by supporting that EITC Notification Act

Thank you, Mr. Chairman and members of the committee.

  
Ross H. Yednock

Director, Asset Building Policy Project

The Community Economic Development Association of Michigan



**Testimony on House Bill 5296  
House Labor Committee  
December 9, 2009**

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Good afternoon Chairman Lindberg and committee members. My name is Tameshia Bridges. I am the Senior Workforce Advocate for PHI, formerly Paraprofessional Healthcare Institute. Thank you for the opportunity to provide testimony on House Bill 5296, which would help the state's struggling families to keep more of their household income through employer-based outreach about the earned income tax credit (EITC).

PHI is a national non-profit working to improve the lives of people who need long-term care services and supports – by improving the lives of the workers that care for them. We have been in Michigan for eight years and have four staff in the state. Our largest Michigan funder – and one of the longest-term supporters of PHI's public education, technical assistance, and workforce development activities – is the Charles Stewart Mott Foundation of Flint.

We approach our work knowing that quality jobs for Michigan's 135,000 direct-care workers will lead to quality care for elders and individuals with disabilities and chronic health conditions. PHI has defined elements that are essential for a quality job – fair compensation, opportunities for professional growth and adequate support for staff.

One of the ways that all employers can provide support to their staff is to link them to organizational and community services and/or public benefits. Employers have a critical role in providing information and resources to their employees and doing so can positively impact the relationship between employers and their staff. Understanding this unique relationship between employer and employee brought PHI to work on tax and asset building strategies for direct-care workers and leads us support to HB 5269 today.

HB 5296 will ensure that more low and moderate wage workers who are eligible for EITC are aware of this valuable tax credit. As a tax credit available to working individuals, using employers as a means of outreach is a viable way to increase awareness of EITC. This legislation provides several low-cost and free options for employers to provide this critical information to their workforce. Based on our experience in working with employers to do EITC outreach through our *Earn, Keep, Save MORE* campaign, we think that employers will embrace this opportunity.

Last year, PHI began our *Earn, Keep, Save MORE* campaign to educate direct-care workers about EITC and free tax services. Realizing the best way to reach workers with this information was through their employer, we worked directly with 13 long-term care employers across the state and



provided them with paycheck stuffers, posters, and brochures give to their staff. Through this, 2,200 direct-care workers learned about the EITC and free tax services.

To further our reach beyond those 13 employers, we set up a website – [www.phinational.org/taxes](http://www.phinational.org/taxes) - that other employers could download the same materials for their promotion of EITC. We worked with the long-term care provider associations and Area Agencies on Aging to promote the website to their members and provider networks. The website was launched January 15, and in the first month it received over 700 hits – 200 of which were downloads of the posters and paycheck stuffers.

The response from this outreach effort is encouraging and shows that when employers have access to information that can benefit their staff, they will gladly pass it along. When approaching employers, we have found that they are enthusiastic and eager to provide this information to their staff. Many see it as a way to show their staff that they care about them. Others consider providing this information as a benefit they can offer their staff – a benefit that is essentially free for them to offer, and one that can return thousands of dollars to their staff.

PHI's outreach effort is a small example of the impact that can be realized with enactment of HB 5296. We ask the committee to support this legislation. Thank you again for the opportunity to provide testimony today.





## RESIDENTIAL OPPORTUNITIES, INC.

1100 SOUTH ROSE STREET • KALAMAZOO, MI 49001 • 269-343-3731 • 269-343-2940 (TDD) • WWW.RESIDENTIALOPPORTUNITIES.ORG

December 9, 2009

Dear Representative Rebekah Warren,

We are writing today to provide written testimony in support of House Bill No. 5296, a bill requiring employers to provide information concerning eligibility for the federal Earned Income Tax Credit.

Residential Opportunities, Incorporated (ROI) is a non-profit agency providing residential, financial, and clinical support services to individuals with disabilities since 1978. ROI currently employs over 360 staff, the majority of whom are employed as Direct Support Professionals - direct care support positions with annual wage earnings eligible for the federal Earned Income Tax Credit.

In the past we have done many things to educate our workforce on the benefits of the Earned Income Tax Credit - newsletter articles, flyers, signs, payroll stuffers - and have received positive feedback from many employees who would otherwise not have known about the benefit. Last year our education efforts were additionally bolstered by our participation in the Earn, Keep, Save MORE outreach project sponsored by PHI, a national advocacy group supporting direct care workers. The project provided us with templates for our newsletter, posters for our program sites, and payroll stuffers with detailed information about the federal Earned Income Tax Credit as well as low or no-cost tax preparation services - all at no cost to our agency. We received many calls from our staff thanking us for providing them with the additional information, allowing them to keep more of the money they earned over the year. We would encourage any business with employees eligible for the Earned Income Tax Credit to participate in the project for the coming tax year, and support House Bill No. 5296, requiring employers to provide such valuable information.

If you have any questions about any of the information above, please feel free to contact our Human Resources Manager, Jules Isenberg-Wedel at (269)-343-3731, ext. 220 or by email at [jisenberg-wedel@resopp.org](mailto:jisenberg-wedel@resopp.org).

Respectfully,

Scott N. Schrum  
Chief Executive Officer



Supported Living and Group  
Housing Approved by DARS  
Residential Services  
Commission



A Greater Kalamazoo  
United Way  
Member Agency



Kalamazoo County  
Mental Health Services  
Contract Agency

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**Sarah Curmi - LETTER IN SUPPORT OF HB 5296**

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**From:** Sandra Williams <saundraw69@sbcglobal.net>  
**To:** <scurmi@house.mi.gov>  
**Date:** 12/8/2009 2:21 PM  
**Subject:** LETTER IN SUPPORT OF HB 5296  
**CC:** Nicole McKinney <Nicole.McKinney@liveunitedsem.org>

To: State Representative Rebekah Warren and  
The House Labor Committee

From: Sandra L. Williams, President  
Metropolitan Detroit AFL-CIO

Subject: HB 5296 EITC Employer Notification

Date: December 8, 2009

On behalf of the 200,000 hard working men and women represented by the Metropolitan Detroit AFL-CIO across Wayne, Oakland, and Macomb Counties, I applaud the efforts of those who understand how important it is to make the citizens of Michigan aware of how the Earned Income Tax Credit can help them financially,

As a Board Member of the Southeast Michigan United Way, I also applaud them for their focus on this issue. HB 5296 will do much for highlighting and bringing awareness to the existence of the Earned Income Tax Credit. I have thought for many years, that it is unfortunate that this income revenue source that could help so many, goes unused year after year. So many are eligible and could benefit, but have no knowledge that this financial resource awaits them.

We support HB5296 because of its potential to provide awareness and education about this important issue. We do not believe that requiring employers with five (5) or more employees to notify and share this information and have conversations with their employees about this tax credit is too much to ask.

We at the Metropolitan Detroit AFL-CIO stand ready to assist with the passage of this Bill in any way we can.

Sandra L. Williams, President  
Metropolitan Detroit AFL-CIO  
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Detroit, Mi 48226  
313 961-0800